# Head of Bankers Pleads For Sound Money Policy

## Promise of Prosperity Can Be Defeated by Undermining Banking System, Puelicher Declares

By John H. Puelicher
*American Bankers' Association*

ONE of the most powerful business influences during the year 1923 will undoubtedly be the attitude of the people on the fundamental economic problems of the day. These include the question of sound money, the co-ordination of the volume of credit in reference to constructive business needs, the administration of the Federal Reserve System and other strictly economic functions that unfortunately have been attacked by radical propaganda in some sections, or have been made subject to political considerations by partisanship in the established parties.

The substantial progress in business recovery during 1922 has undoubtedly placed our banking system on as sound a basis as at any time in our history. Our manufacturing and merchandising systems are efficient, as is our transportation system, although the development of more adequate facilities is called for. It is fair to hope, also, that the present unsatisfactory coal mining situation will be improved.

Within these various aspects of our economic life there is ample promise of increasing prosperity. But that promise can be defeated by unsound money and credit policies and by destroying the safe, efficient operations of banking through interfering with the Federal Reserve System by undermining confidence in it by misrepresentation, or by allowing political expediency in any way to affect its administration.

Sound money, credit and banking are the means that co-ordinate and link up the various processes of agriculture, industry, commerce and finance in an organic whole. Interference with their proper functioning means disastrous consequences to the entire economic system.

A pre-requisite of prosperity, therefore, is the inculcation among all the people, through economic educational activities, of interest in and understanding of sound, fundamental business principles so that they will brook no tampering for ulterior purposes with their country's monetary soundness, its credit resources or its safe banking operations.

The American Bankers Association is committed to the thought that the most patriotic service it can render the nation during the year 1923 is the work of public economic education it is carrying out through various of its activities.

# Sees Wage Struggle Impending

## Wholesale Prices Probably Will Rise More Rapidly Than Money Earnings Next Year, Says Hansen; Public Stand Against Unionism Not Unlikely

By Alvin H. Hansen
*University of Minnesota*

HOW was it possible for the wage level to maintain itself in the face of the recent general unemployment? It is obvious that it is a great mistake to assume that all wage earners have little reserve power. They do not have to sell their labor at any price, and they refuse to do so. A higher money wage quickly becomes established as a standard in the minds of the wage earners. The laborer and his family will endure endless sacrifices and suffering to retain that standard. An established wage is a front line trench which must not be given up at any cost. To yield may bring material comfort for the present, but it means a permanent loss for the future.

The wage earner is more concerned with the price of his commodity than with the total volume of his sales. He would rather suffer unemployment than accept a lower wage. The loss of employment he conceives of as temporary; the loss of his established wage he believes is a permanent loss. If one cannot retain a wage once achieved what hope is there of recovering it? Our recent experiences on the railroads, in mining and in the textile industry illustrate the point.

Skilled labor holds most tenaciously to a money wage once achieved. Skilled labor has more reserve power, is more likely to be controlled more powerfully by established standards. Yet semi-skilled labor has shown unexpected tenacity. This tenacity has been reinforced by the absence of immigration. Immigrant labor readily accepts a lower wage, for it is accustomed to a lower wage. Yet immigration affects chiefly unskilled labor, and we have already noted that the unskilled wage level was thoroughly deflated even without any large immigration. It was the semi-skilled and skilled wage level that failed to come down. There was no large immigration to help push it down and unemployment failed to do so.

The stage is thus set for an unprecedented struggle over the existing wage level. The unprecedented nature of this struggle will become clear from a comparison with the post Civil War days. The situation then was utterly unlike the present. During the war period wages rose but slightly compared to the rise in prices. Mitchell shows that by January, 1865, wages had increased only 52 per cent, while prices had increased 148 per cent. Thus in spite of the heavy fall in prices from January, 1865, to July, 1866, the margin between wages and wholesale prices continued to be favorable to employers. Not until the year 1869 did the wage level definitely overtake the price level.

This no doubt accounts in large part for the fact that here we have, so far as I know, the only outstanding exception to the direct correlation that regularly obtains between the movement of prices and the business cycle. It was not until after the panic of 1873 that the wage level had reached a point which proved an obstacle to prosperity. From 1873 to 1897 the struggle was on against a wage level too high for industry to sustain. It is to be noted that it was in this period that wage statisticians find the greatest gains in real wages. Money wages for the most part were holding their own and real wages were rising, but the buying power of labor as a class was low, because of widespread unemployment, particularly in the '70s and '90s.

In the very period when labor was making its greatest gains in real wages it was suffering the most in buying power. In fact, it may be said that an index of real wages correlates inversely with an index of the buying power of labor as a class. This is due to the fact that when real wages are highest unemployment is greatest. All labor cannot be employed when wages exceed the marginal productivity of the entire body of wage-earners. To be sure, no wage level can be higher than the marginal productivity, but it is obvious that the marginal productivity of 26,000,000 men would be higher than the marginal productivity of 12,000,000 in a similar situation. Thus unemployment makes possible higher wages for those employed, or, in other words, abnormally high wages cannot be paid without a considerable volume of unemployment.

### Wage Struggle

Thus the long-run drop in prices resulted in a continuous struggle over the wage level, which became especially severe during the heavy declines in prices in the 70's and 90's. The struggle was, however, affected by two factors which no longer prevail—unlimited immigration on the one hand and free land on the other. Both employer and employee had an avenue of escape. The situation facing us to-day is different. We have a closely restricting immigration law. There is no free land to which to escape from the wage system. This situation affects the organization of labor on the one hand and immigration legislation on the other. The struggle against the existing wage level will probably take two forms: (1) anti-union agitation and (2) agitation for increased immigration.

It is not unlikely that public sentiment will take a more determined stand against unionism in the years ahead than ever before. It is fairly clear that the public was not in sympathy with either the miners or the shop crafts in the recent strikes. A closed shop issue is not likely to win the support of the public for the closed shop, restrictive policies or any tightening of the grip of unionism. Public sentiment is apt to show itself in a determined effort to narrow the range of trade union weapons along the line of recent court decisions and to bring labor organizations themselves within the scope of public regulation, as is suggested in the Coronado case. The United States is not likely to follow, for the present at any rate, the lead of Great Britain in allowing both sides to fight it out on an open field.

The agitation for increased immigration has already acquired considerable momentum. To make headway in Congress it has to gain the support of the agricultural interests. In recent years these rural populations have been opposed to immigration chiefly on political and social grounds. These considerations are not likely to prevail against the economic interests; and it should not be difficult to make the farmer believe that immigration will lower the high wage level which keeps freight rates up; that immigration will increase the demand for farm products and raise farm product prices; that immigration will lower the prices of manufactured products by lowering the price of city labor, and that finally it will give him cheaper help on the farm. The immigration question bids fair to become one of the leading questions of the day. And it must be admitted that the wrong decisions may possibly be made. The business and agricultural classes hold the balance of power and will for long years to come. The economic interests of these classes are in one respect to the immigration question. But, on the other hand, with regard to the middlemen, railroad valuation, credit facilities, trusts, excess profits and taxation the farmers and wage-earners can be lined up on a fairly common program. This alignment of interests may overshadow the other and prevent any drastic modification of the principle of restricted immigration.

### Effect of Immigration

But suppose the immigration law is modified. The result of increased immigration will scarcely be to lower the wages of skilled labor. Rather it will lower still more the already deflated wages of common labor. Extensive immigration will merely serve to increase the exceptionally large spread that already obtains between the wages of skilled and common labor in America.

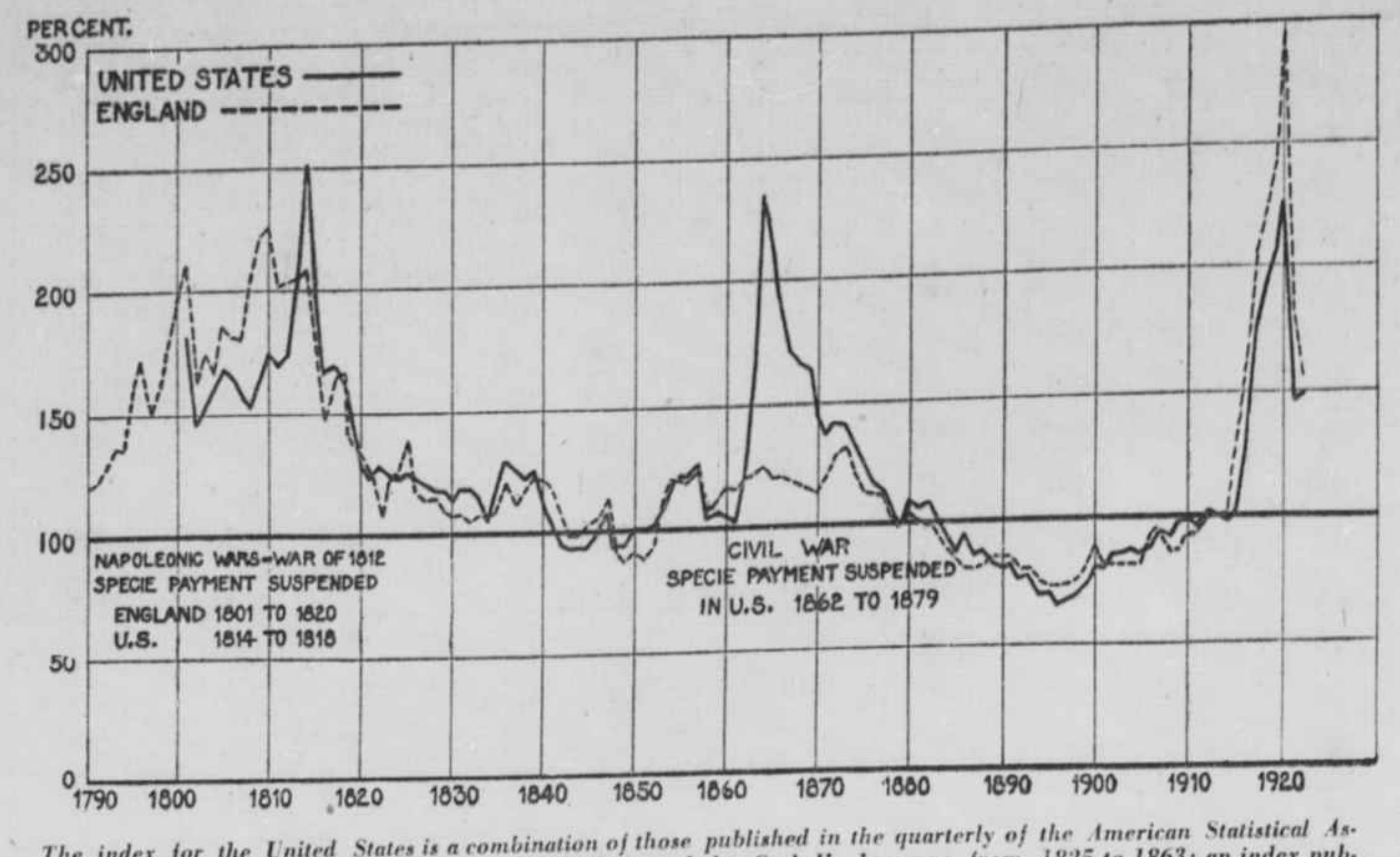
What, then, is to be done with the existing wage level of skilled and semi-skilled labor? The easiest way of escape is by price inflation. For that we appear to be in for the next year or two. This will give temporary respite to the struggle. But it will only be temporary. Each succeeding drop in prices will bring a recurrence of the struggle.

It is not unlikely that wage statistics for the next decade or so will register a substantial gain in real wages. The pressure of a high wage level against a secular drop in prices is a tremendous goad to managerial efficiency. The recent study of the Federated Engineering Societies indicates that there is room for large improvement in management on the basis of what has already been achieved by the better firms. Squeezed between the declining prices and a rigid unyielding wage level, the employer is forced to buckle down to the job of making industry efficient enough to carry the load of high wages. So long as the secular trend of prices is downward, we are, therefore, likely to see a rise in real wages. But the constant struggle against declining prices and a recalcitrant wage level can scarcely fail to result in chronic depression with brief intermittent periods of prosperity whenever relief is offered through inflation. Thus we may witness a period similar to that of the '70s and '90s, when real wages were rising, but the buying power of labor as a class was low because of unemployment.

(Continued on Page Eight)

# Wholesale Commodity Prices in the United States and England

*Graphic demonstration of the close relationship between commodity prices in the United States and Great Britain is given by the above chart, showing variations of quotations in the two countries over the last century and a quarter. The fact that the chart, which is reproduced by permission of the Federal Reserve Bank of New York, is based on various compilations of commodity prices may be accepted as an indication of the reliability and close correspondence of index numbers.*




*The index for the United States is a combination of those published in the quarterly of the American Statistical Association by Alvin A. Hansen for the years 1801 1840, and by Carl H. Juergens from 1825 to 1863; an index published by Roland P. Faulkner in the report of the Senate Committee on Finance (1893) for the years 1840-1891, and the current index of the United States Bureau of Labor Statistics. The figures for British prices are made up from an index prepared by W. Stanley Jevons for the years1782-1817 and the Sauerbeck-Statist index for the rest of the period.*

# World Commodity Prices Working Steadily Higher

## Conflicting Influences Result From Abnormal Foreign Exchanges: Outlook Continues Unsettled

By Richard F. Griffen

WORLD commodity price movements during the year just closed have to a degree been conflicting, but in the main the trend has been upward either as a direct extension of the inflation initiated during the war or, as in the United States, as a consequence of the development of secondary inflation.

The coincidence of a startling rise of more than 100 per cent in German prices in a single month and the relative stability or actual decline of prices in nearby countries has been possible because of the limitations imposed by abnormal foreign exchange market conditions upon the play of forces between international trading centers that under more usual circumstances operate toward a uniform price level.

As the new year opens the recovery of sterling to within 20 cents of parity has raised for the first time the expectation that before many more months have passed some measure of consistency will be achieved in the price movements throughout the world. With sterling upon an equality with dollars and England in fact upon a gold basis there seems good reason to believe that a considerable number of the principal trading nations will be able to return to the gold standard. That is the prerequisite to the establishment of the old relationship between markets when the wide disparity between commodity prices in the United States and England, for example, was impossible because of the freedom with which gold shipments were utilized as a corrective.

In Europe Swiss, Dutch and Swedish currencies have already attained a valuation of parity in the exchange market and, in the opinion of many leading financial authorities, Spain, Japan, Argentina and possibly Czecho-Slovakia with these countries should be able to follow England back to a strictly gold basis. Norway and Denmark with a little time should be in a position to join this group. Russia, Germany and the Central European countries generally, excepting Czecho-Slovakia, may be figured out of it for the time, while the financial problems to be met in France and Italy are considerable and their progress back to a pre-war basis gives promise of being gradual. But, even so, close to three-fourths of the commercial world would be back on a gold footing, tending to minimize the confusion in commodity price fluctuations.

### Outlook Not Simple

It may not be said that restoration of such a situation as outlined above is assured, but that economically it appears feasible. Political muddling of possible economic solutions has been so marked a factotr in recent discussions that the outlook cannot be characterized as simple, the chief bases for confidence being the admitted commercial sanity of England and the evidence that at Washingtotn a more liberal policy toward the European complex is slowly developing. Sterling is launched upon a noteworthy endeavor to achieve parity, and the movement apparently has the support of the British government, which in shipping any excess of gold that may be available to this country is employing a natural method for restoring its currency to normal. International bankers believe that sterling at par will clarify the situation in other nations and that some betterment in world trading conditions must inevitably follow.

The significance of such an eventuality with relation to the price movement in the United States is best determined by reference to the recent course of quotations here and the present position. The year 1922 encompassed a rise in prices of extent such as was never achieved in peacetime in a like period before the World War. For several months prior to January 1 the check to deflation had been definitely established and there was a barely perceptible drift toward higher levels. This drift gradually assumed the proportions of a major upswing that is still under way, if somewhat abated in force, as 1923 opens.

The extent of the advance is best shown by reference to the various price indices maintained in this country. Bradstreet's compilation by December 1 was a full 20 per cent above the low point reached in the late spring of 1921. It is still far below the post-armistice peak. The record follows: Maximum, February 1, 1920, $20.6090; minimum, June 1, 1921, $10.6169; January 1, 1922, $11.3725; December 1, 1922, $12.7485. Dun's index number shows a recovery of 16 per cent from the low of 1921, of which 12.8 per cent was recorded in the first eleven months of 1922. The New York Federal Reserve Bank's index of prices, based upon the quotations of twenty basic commodities, is up 22 per cent since January, the Department of Labor's compilation has recovered 13 per cent. The Harvard University index, based upon ten commodities and extremely sensitive, is up 40 per cent from its low point.

### Gold Basis of Rise

The fundamental explanation of the rise in prices in this country is to be found in the continued influx of gold from all quarters of the globe. Imports were not so heavy as in 1921, but the expansion of gold holdings during that year was not fully effective at the time because of the force of the deflationary movement and during 1922 the cumulative influence of the gold brought in over the two-year period was experienced. The gold was not directly the basis of a new inflation, but it was the increase in the Federal Reserve System's gold reserves to above $3,000,000,000 that made that inflation possible if not inevitable.

The growth of gold stocks made it possible for the banks to make loans without resort to the facilities of the Federal Reserve banks, at the same time that they paid off their indebtedness to these institutions. It imparted impetus to the speculative and investment purchases of securities, and the motive was from this point passed on to industry and business in general. A considerable expansion in bank deposits occurred, and there was a marked recovery in the purchasing power of the people, which during 1921 had slumped so sharply.

One theory offered in explanation of the stiffening of prices is that the resistance to wage deflation in the same degree that price deflation had been experienced provided the check to the latter movement and was a basic cause of the turn. The maintenance of wages in the mining industry and the difficulty of bringing down the schedule of remuneration to railroad workers, with attendant labor difficulties, were closely followed by an upward revision of wages in the steel industry and by settlement of textile wages on a relatively higher basis. Against this may be set the contention that without consumption demand, without the expanded purchasing power of the people, wages would have had to go lower. Specifically, if the demand for steel products had not been great and if there had not been a scarcity of workers to raise production to the level of that demand steel wages would not have been marked up.

### Production Indices

Reference to production and consumption indices indicates that the rise has not been attributable to a shortage of commodities available for consumption. On the contrary, application of the nation's new purchasing power has been the motivating force. The New York Federal Reserve Bank's indices of production show that in the case of most basic commodities the output over recent months has been close to or above normal. This applies particularly to petroleum, cement, wheat flour, sugar, cotton, tobacco, paper, wood pulp and lumber. Coal production has recovered rapidly after the strike, and the production of metals, including pig iron, steel ingots and copper, has been steadily mounting. Wool consumption is well above normal, while tobacco and cotton consumption is not far from the average.

In England, which more closely approximates the full gold basis than any other country except the United States, there has been little expansion of gold stocks to serve as a basis for inflation, and the situation, therefore, has proved easier to handle. Some inflation of security prices has not been avoided, but the commodity price situation has been held well in hand. The British price level was behind the American in the major post-armistice upswing and the turn downward came later. During 1922, the movements in the two countries have been in direct contrast, as Britain has sent here such excess of gold as she has been able to command. The British price level has declined during many months and been approximately stationary or gone slightly higher in others. The difference in price trends has largely accounted for the recovery of sterling, which many are hoping may achieve a point where gold begins to flow out of this country.

The movement of prices on the Continent of Europe usually has borne a direct relation to the currency position. Germany's note issue has lately been expanding at the rate of more than 30 per cent a month, and as a result the foreign purchasing power of the mark has dwindled to an inconsiderable fraction of normal, and the internal value of the mark as measured in goods also has fallen away sharply. Prices have climbed in propoltion. In France an advance in prices has paralleled the expansion of note circulation, while in Italy, more dependent upon imported goods, the value of lire in the foreign exchange market has been a controlling factor. In Scandinavia and in other countries where the currency inflation has been checked and where the foreign exchange movement has been favorable prices have tended to taper off.

The price situation as 1923 gets under way is still complicated by the financial and political aftermaths of war. Only as these are smoothed out is there a prospect of that give and take between markets which alone will make attainable something approximating a world price level or movement.

## What Things Cost

*Quotations are cash prices in primary markets*

| Commodity and unit. | Yesterday | Previous day | 1913 Range High | 1913 Range Low | 1920 Range High | 1920 Range Low | 1921 Range High | 1921 Range Low |
|---|---|---|---|---|---|---|---|---|
| FOODS— | | | | | | | | |
| Wheat (No. 2 hard) bu | $1.36¼ | $1.37 | $1.16 | $0.95½ | $3.50 | $1.58 | $1.46½ | $1.08½ |
| Corn (No. 2 yellow) bu | .91⅛ | .91¼ | .83½ | .56 | 2.31¾ | .94½ | .95⅝ | .61¼ |
| Oats (No. 2 white) bu | .56 | .56 | .50 | .37 | 1.50½ | .60 | .60¾ | .44 |
| Flour (spring pat.) bbl | 7.05 | 7.05 | 4.90 | 4.30 | 16.25 | 9.00 | 10.50 | 7.50 |
| Beef (family) bbl | 17.00 | 17.00 | 7.35 | 5.80 | 28.00 | 20.00 | 29.00 | 14.00 |
| Pork (mess) bbl | 28.00 | 28.00 | 20.50 | 17.75 | 47.00 | 29.50 | 32.50 | 24.00 |
| Sugar (granulated) lb | .07 | .07 | .0495 | .0452 | .23 | .08 | .08¼ | .052 |
| Coffee (No. 7 Rio) lb | .11 7-16 | .11 7-16 | .13½ | .08⅞ | .13¾ | .06½ | .09 | .05⅝ |
| Butter (creamery, first) lb | .47@.52½ | .47@.53 | .38 | .26¼ | .77 | .51½ | .57 | .29 |
| Eggs (fresh, first) doz | .46@.48 | .46@.48 | .60 | .18 | .89 | .42½ | .79 | .23½ |
| TEXTILES— | | | | | | | | |
| Cotton (middling upland) lb | .2660 | .2660 | .1450 | .1125 | .43¾ | .14½ | .2156 | .1085 |
| Print cloth (38-in. 64-60) yd | .10½ | .10½ | .05½ | .04⅞ | .24 | .07½ | .09½ | .04½ |
| Silk (raw, No. 1 Kansai) lb | 8.30@8.40 | 8.20@8.30 | 4.20 | 3.45 | 17.45 | 5.00 | 7.85 | 5.50 |
| Wool (fine Montana scoured) lb | 1.30@1.35 | 1.30@1.35 | .60 | .47 | 2.00 | .80 | .92½ | .80 |
| METALS— | | | | | | | | |
| Steel billets (Pittsburgh) ton | 36.50 | 36.50 | 28.50 | 20.00 | 65.00 | 43.00 | 43.50 | 29.00 |
| Iron (No. 2x fdry., Phila.) ton | 28.76 | 28.76 | 18.50 | 15.00 | 53.50 | 33.00 | 33.25 | 19.75 |
| Lead (spot) lb | .0737 | .0737 | .04⅜ | .04 | .09½ | .04½ | .05¼ | .04 |
| Copper (spot) lb | .14 11-16 | .14 11-16 | .17¾ | .14½ | .19½ | .12½ | .13½ | .11¾ |
| Tin (Straits) lb | .37⅞ | .37⅝ | .51 | .36⅞ | .65¼ | .32 | .39½ | .26¼ |
| RUBBER, HIDES, ETC.— | | | | | | | | |
| Rubber (rib-smoked sheets) lb | .28½ | .28½ | 1.10 | .76 | .54½ | .15½ | .22 | .11 |
| Hides (calfskins, city) 9 to 12 lbs | 3.15 | 3.15 | 2.70 | 2.60 | 10.50 | 2.10 | 2.75 | 2.05 |
| Coal (furnace) ton | 13.25 | 13.25 | 6.00 | 5.65 | 15.75 | 14.50 | 13.05 | 12.75 |
| Crude oil (Pennsylvania) bbl | 3.00 | 3.00 | 2.50 | 2.05 | 6.10 | 5.00 | 6.75 | 3.00 |

# Advance in Price In Woolen Goods Outlook for 1923

## Labor and Overhead Costs Remain High and Raw Materials Register Gains; Market Effect Uncertain

By Arthur M. Cox
*Cox & Schreiber, Woolen Selling Agents*

WE ARE standing at the threshold of another season and the price question, always one of vital interest, is more than ever an issue of paramount importance and speculation. The door is open, but as yet only a very few of the bolder spirits have ventured into the arena.

It is conceded that prices will be higher—the only question, therefore, is "how much." With no likelihood of lower wages or of reduction in the lower items of overhead cost, the cost of production remains the same and the analysis of the subject is therefore focused upon the cost of raw material—more particularly wool.

Take as an illustration the cost of quarter blood wools of the variety which enters largely into the manufacture of medium priced overcoatings and suitings. In November and December, 1921, such wools could be bought for from 40c to 45c, while today the price of the same qualities is from 80c to $1—about, or a little more than, double. If, therefore, a fabric is to be maintained in quality, i. e., without any lowering of the grade or percentage of pure wool employed in its construction, an advance of 25 to 30 per cent may reasonably be expected.

As a consequence of this advance it is probable that some manufacturers, in an effort to market their production at a small increase in price, will sacrifice something of quality—either by using a lower grade of wool or a larger percentage of substitute (shoddy). This can be done to a certain degree without affecting the appearance or "apparent quality" of a fabric, but it cannot be done without severely affecting its wearing quality. The fabrics, therefore, which are "standard" on the market and which have the reputation of maintaining their qualities will be obliged to make a material advance in price.

The question of the effect upon the market of materially higher prices is important. If prices open lower than is anticipated the volume of initial business will be very large, for stocks of clothing and overcoatings—particularly the latter, are low and need replenishing. If, on the other hand, opening prices are higher than expected, the early buying will proceed conservatively.

The wool industry from the raw material to the finished product has shared fully in the current revival of business. For many months prices of raw material have been steadily mounting, partly as the result of a natural reaction from the extreme depreciation of a year ago, and partly because of an increasing demand for merchandise without a proportionate increase in the supply. With respect to prices, therefore, it will be seen that there is nothing artificial in the situation, but that on the contrary it is thoroughly sound and is based upon physical conditions which may have still higher prices as a logical consequence, and which at least indicate a maintenance of present prices for some time to come.

### London Diamond Combination

Reports have been received by the Department of Commerce to the effect that the Anglo-American Corporation of South Africa is interested in equal parts with a leading diamond group in an important diamond business that may cause the formation of a company with a capitalization of about £1,000,000. One of the reasons advanced for such an attempted combination is the very favorable position said to be occupied by the Belgian Congo Company, which is stated to work largely alluvial deposits without the necessity of instituting costly mining operations. Only about 50 per cent of the South African mines are open, but their output is at present more than sufficient to supply all demands. Russian jewels thrown on the market last year decreased continental purchases, and smaller exports to the United States are the main causes of the present over-supply.

# Better Times in Prospect For Farmer, Says Wallace

## Higher Prices for Products Will Make Possible an Easing Up on Pinching Economy

By Henry C. Wallace
*Secretary of Agriculture*

BETTER times are in prospect for the farmer and his family during the coming year. Prices for the major crops, which were good, are mostly considerably higher, and while prices for the things the farmer must buy have advanced to about the same extent, the billion and a half or more dollars which will be received for the crops produced the last harvest season will make it possible to ease up a little on the pinching economy that has been necessary for the last year. Already farm folks are better off than they were twelve months ago, when I expressed the belief that more prosperous conditions were just ahead for the farmer and those whose business is largely dependent upon him.

Not all sections of the country have felt the stimulation of these benefits. In some areas, owing to unfavorable weather, crops were short and the growers are having a hard time to make ends meet. Although freight rates have been cut, they are still too high, especially for those who are far away from the big markets. Taxes also are high, but much of this burden is the result of local taxes over which the farmers themselves may exercise control.

The crop of 1922 did not bear such a high labor cost as preceding crops. Reduction of some freight rates made another substantial cut in the costs of getting many crops to the market. Lower interest rates have eased the credit strain, making it possible for many farmers heavily in debt to refund their obligations with a better chance to get on their feet. Congress has enacted much helpful legislation and there is promise of more this winter. Bad conditions have increased the interest in co-operative marketing associations, and more of them are being organized on a sound business basis. Strong economic forces are at work to restore a more nearly normal relation between agriculture and other industries. Other groups are realizing more keenly the importance of keeping the farmer prosperous and are showing a willingness to help him better his condition.

The chief reason, perhaps, that the farmer has suffered so severely is that the war stimulated a high production, which has continued up to the present time. For the five years, 1910-'14, the average production of cereal crops was 4,500,000,000 bushels. In 1918 and 1919 the production of these crops had increase dto 5,500,000,000, and in 1920 to nearly 6,000,000,000 bushels. This year it was almost 5,500,000,000. During the same period the production of other things the country needs has decreased. But it looks as if the year 1923 will see a more nearly normal relation between the things produced on the farms and the things made in cities and in industrial centers.

Already advances in cotton prices have put the South in better condition than for several years. Better prices for coarse grains and good prices for livestock have led to marked improvement in conditions in the corn belt. There has been less improvement in the wheat growing regions of the Northwest and the Southwest, largely on account of the weather. In the dairy sections farmers have not suffered so much as in the Eastern section of the country, freight rates have not hit them so hard.

# Labor Cost Farmer's Problem

## Hibbard Blames Higher Wages for Extra Charges for Commodities Which Rural Districts Must Pay

By B. H. Hibbard
*Professor of Agricultural Economics, University of Wisconsin*

HAVING rejected one by one as inadequate the whole medicine cabinet of remedies and nostrums, must the conclusion be that the case for the American farmer is hopeless? So far as any quick and painless method is concerned, it unquestionably is. The real trouble with facile prescriptions is that one and all they are written without any close attention to the malady they are designed to cure. It is necessary first of all to see why the farmer is in economic distress. Moreover, the diagnosis is not a very difficult one.

In the years 1916 to 1920 inclusive, customers crowded the farmers' counters for goods, paid any price, and paid cash. It was a seller's market. The energy of the whole Western World was centered on war and its immediate after effects. The regular sources of food supplies were shut off. The future was mortgaged for purchasing power, old securities were sacrificed, bonds were issued, chattels were sold. The farmer was urged by prayers, patriotism and profits to produce to the utmost, and produce he did. All of a sudden his customers left him—some because they could buy at lower prices elsewhere, others because they were cultivating once more their old fields, and still larger numbers because they were bankrupt. That they were and still are hungry and starving is of secondary consideration. The purchasing power was wanting.

Still the farmer continues to produce. Providence has afflicted him with crops of unusual magnitude. The result was inevitable and its explanation requires no occult power. During the war we ran short of houses, furniture and machinery. The capitalists are playing a conservative role and holding much the same position as in former years. The laborers, seeing that their contributions are indispensable, are meeting the situation effectively by putting upon the market no more of their wares than will be taken at a predetermined price. They are acting in a perfectly logical, perfectly selfish manner. The farmer having no means of limiting his output throws upon a glutted market a mass of goods not keenly wanted and wonders and complains at the ruinously low prices paid. The logical way to make farmers prosperous is to lessen farming, just as the coal operators are prosperous because there is too little, not too much coal, above ground.

### Must Obey Economic Law

The prices of farm produce may be influenced fundamentally only by conformity to economic laws. In spite of all advantages to be gained through improved marketing, and they are many; in spite of economics in production, and they will always be basic in farm prosperity; in spite of whatever merit there may be in improved credit and the tariff; in spite of all these it will be necessary to balance agricultural production against the demand for it. No doubt this is a truism, but no doubt also it is not appreciated. A wider market offers relief, and a wider market is available, but not easily so. For years we have sent our surplus agricultural produce to Europe. Now Europe is in debt to us and we are saying to them that the debt must be paid, but not in goods, presumably then in cash. But Europe has goods, potentially enormous quantities of goods, but no money. Our drum-beating nationalists are determined that the goods shall be kept out, and the cash demanded. The advantage of the exchange of goods for goods is denied and merchantilism, hardly disguised, is paraded as the most modern doctrine.

The program that would bring the greatest relief to the farmer would be for a fifth of them to leave the farm, and break into the better paying professions, trades and businesses. This would at once break the power of the groups holding prices up artificially, whether they be laborers or capitalists. If a dollar an hour is too much for the man who repairs automobiles, more farmers' sons going into that line of work would bring it down, and, incidentally, increase the rate of pay to those remaining on the farms. In reducing the number of farmers relatively, and it must take place before prosperity returns, it would be fortunate, indeed, were some plan devised whereby those on submarginal land might be removed first. The help of the state should be enlisted in this direction. It is actually being done in Alberta. Many of our states are still begging for settlers, and recommending their untilled acres.

The counterpart of the same program is the rehabilitation of the buying power of Europe. Could this be accomplished, and in some degree it is clearly feasible, the farmer would be the first and greatest gainer, since food is what they need most.

The increase of production and enlargement of the market are major considerations, and the plans for carrying them out are above all questions of petty politics and immediate advantage. They call for statesmanship in the formation of policies and likewise in their execution. In these considerations are involved such fundamentals as land utilization, land settlement, immigration and trade relationships. All these matters are constructive. Not so clearly so are those relating to the unduly large share of the national dividend at present going into the payment of wages and monopoly profits, monopolies must, eventually, be socially controlled, or the farmers reduced to a peasantry. Unless intelligent direction or economic harmony, or both together, restore the farmers' buying power within a short time he must of necessity reduce his standard of life, a national calamity.

More immediately must we recognize a class struggle between farmer and laborer at the very time when they are courting each other. All sentiments aside, whenever the farmer rebels, as he properly should against freight rates, the price of lumber, the cost of a suit of clothes, of a Wilton rug or barn fixtures, all of which are double the prices of 1913, he will find that the rest is the price of labor. The philosophical question is whether labor can succeed in reducing the standard of living of the farmer class; the practical question is whether the farmer will come to see the cause of his financial distress and act accordingly. He will probably not find it either wise or expedient to attack labor organizations directly. He should attack railway rates. Some amusing articles appeared a year or two ago entitled "What if the farmer should strike?" The sort of strike there considered is about as likely as snow in summer and as pleasing as rain in harvest. However, another sort of strike he cannot stage too soon. A buyers strike against goods and services relatively twice as high in price as his own. It is a painful method, but the sooner it is done the less will the farmer class sink in the scale of living.—(Excerpts from a paper read before the convention of the American Economic Association at Chicago.)

### California Public Utility Issues Show an Increase

LOS ANGELES, Dec. 30.—According to development statistics contained in the annual report of the California Railroad Commission, the year 1922 has shown an increase over the preceding year in the amount of securities authorized for additions and betterments to utility properties amounting to about $55,000,000 with a total of $148,925,000 authorized for this purpose. That the development is not only continuous but at an accelerated pace is shown by the fact that 1921's gain over 1920 in amount of securities for purposes of additions amounted to only about $24,000,000.

In 1922 California Public Utilities were authorized to issue over $19,000,000 for refunding purposes. Due to declining interest rates a number of utilities took advantage of the situation to refun dhigh interest bond issues. The California Railroad Commission kept in close touch with the fall in interest rates and the corresponding advance in the price of the utilities' securities and in accordance with this movement governed its action in passing on new security issues. For all purposes the securities authorized by California Railroad Commission this year aggregated $188,401,250, as against $168,497,596 for 1921."

### Projected Indo-China Railway

The Candelier railway mission has completed its studies and is returning to France with the completed plans of the projected Indo-China railway system, according to a report to the department of commerce from Consul L. L. Smith, Saion.